

KANNALAND LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2009**

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APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

K DE LANGE
MUNICIPAL MANAGER

DATE

KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

		2009	2008
	Note	R	R
NET ASSETS & LIABILITIES			
Net Assets		237 845 931	49 192 778
Housing development fund	2	760 427	760 427
Government Grant Reserve		56 206 546	43 409 023
Accumulated surplus/(deficit)		180 878 958	5 023 328
Non-current liabilities		18 810 533	19 591 763
Interest bearing borrowings	3	17 883 767	18 209 071
Finance lease liability	4	90 506	163 447
Provisions	6	350 000	765 500
Consumer deposits	5	486 260	453 746
Current liabilities		26 106 180	18 487 476
Provisions	6	750 000	666 500
Trade and other payables	7	7 948 688	5 957 300
Unspent conditional grants and receipts	8	12 989 188	10 969 612
SARS liabilities	9	4 093 988	152 271
Interest bearing borrowings	3	324 317	741 793
Total Net Assets and Liabilities		282 762 644	87 272 017
ASSETS			
Non-current assets		264 150 061	70 910 748
Property, plant & equipment	10	261 713 408	68 761 637
Loans and receivables	11	17 131	19 917
Investments	16	2 419 522	2 129 194
Current assets		18 612 583	16 361 269
Inventories	12	109 860	349 844
Consumer debtors	13	6 940 416	3 583 487
Other debtors	14	3 502 382	801 075
SARS receivables	15	-	1 519 098
Loans and receivables	11	2 786	2 786
Cash and cash equivalents	17	8 057 139	10 104 979
Total Assets		282 762 644	87 272 017

KANNALAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Property rates	18	6 634 956	6 542 647
Service charges	19	26 544 246	23 324 107
Rental of facilities and equipment		308 469	191 994
Investment Revenue – external investments	21	1 266 879	1 434 906
Interest earned – outstanding debtors		840 421	744 281
Dividends received		-	224
Fines		1 960 769	641 424
Licenses and permits		-	80 593
Income from agency services		611	290 304
Government grants and subsidies received	20	27 962 818	52 229 500
Gains on disposal of assets		373 343	-
Other revenue	22	908 022	1 502 463
		-	-
Total Revenue		66 800 533	86 982 443
EXPENDITURE			
Employee related cost	23	14 971 620	12 989 932
Remuneration of councillors	24	2 010 257	1 855 577
Bad debts		4 313 540	2 800 000
Collection costs		15 108	-
Depreciation and amortisation		461 616	3 011 301
Repairs and maintenance		1 814 825	2 491 825
Finance cost	25	1 577 078	2 489 795
Fines Paid		30 218	-
Bulk purchases	26	13 207 345	9 966 781
Contracted Services		-	366 670
Grants and subsidies paid		1 266 106	9 746 843
General expenses		15 376 969	5 637 253
Provision for Landfill site		-	1 232 000
Total Expenditure		55 044 682	52 587 978
Fair value adjustment		177 599 581	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		189 355 432	34 394 465

KANNALAND MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Housing Development Fund	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R		R	R
Balance at 1 July 2007	760 427	20 395 566	(6 122 060)	15 033 933
Net surplus for the year			34 394 465	34 394 465
Capital grants used to purchase PPE		23 013 457	(23 013 457)	0
Offsetting of depreciation				0
Movements during the year			(20 415)	(20 415)
Balance at 30 June 2008	760 427	43 409 023	5 238 533	49 407 983
Balance at 1 July 2008				
Correction of error (note 27)			(215 205)	(215 205)
Restated balance	760 427	43 409 023	5 023 328	49 192 778
Changes in equity for 2008				
Net surplus for the year			189 355 432	189 355 432
Movements during the year			(702 279)	
Property, plant and equipment purchased		12 797 523	(12 797 523)	-
Capital grants used to purchase PPE				-
Donated/contributed PPE				-
Offsetting of depreciation				-
Balance at 30 June 2009	760 427	56 206 546	180 878 958	238 548 210

KANNALAND MUNICIPALITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		65 349 020	84 055 231
Cash paid to suppliers and employees		(49 274 809)	(42 989 596)
Cash generated from / (utilized in) operations	30	16 266 993	41 065 636
Dividend recieved		-	224
Interest received		1 266 879	2 179 187
Interest paid		(1 577 078)	(2 489 795)
Net cash from operating activities		15 956 794	40 755 252
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12 805 691)	(36 443 203)
(Increase)/decrease in non-current receivables		2 786	2 575
(Increase)/decrease in non-current investments		(290 328)	(256 147)
Net cash used in investing activities		(13 093 233)	(36 696 775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(742 780)	(934 815)
Payment of finance lease liabilities		(72 941)	
Net cash used in financing activities		(815 721)	(934 815)
Increase/(decrease) in cash and cash equivalents		2 047 840	3 123 662
Cash and cash equivalents at beginning of the year		10 104 979	6 981 317
Cash and cash equivalents at end of the year		8 057 139	10 104 979

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

These standards are summarised as follows:

GRAP 1: Presentation of financial statements.
GRAP 2: Cash flow statements.
GRAP 3: Accounting policies, changes in accounting estimates and errors.
GRAP 4: The effects of changes in foreign exchange transactions.
GRAP 5: Borrowing costs.
GRAP 6: Consolidated and separate financial statements.
GRAP 7: Investments in associates.
GRAP 8: Interests in joint ventures.
GRAP 9: Revenue from exchange transactions.
GRAP 10: Financial reporting in hyperinflationary economies
GRAP 11: Construction contracts.
GRAP 12: Inventories.
GRAP 13: Leases.
GRAP 14: Events after reporting date.
GRAP 16: Investment property.
GRAP 17: Property, plant and equipment.
GRAP 19: Provisions, contingent liabilities, and contingent assets.
GRAP 100: Non-current assets held for sale and discontinued operations.
GRAP 101: Agriculture.
GRAP 102: Intangible assets.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

1.4 RESERVES

1.4.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources.

The cash is transferred to a designated CRR bank account or investment account and can only be used to finance items of property, plant and equipment as specified in MFMA Circular 18. Additional transfers to the CRR are done in terms of a council resolution (Number... dated...). The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

1.4.2 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.4.3 Donations and Public Contributions Reserve (cont)

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.4 Self-Insurance Reserve

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception. These surpluses arose from the differences between premiums charged against claims paid and various administrative expenditure incurred.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

1.5 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The present value of rehabilitation future costs to be capitalised to the asset. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.5 PROPERTY, PLANT & EQUIPMENT

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<i>Infrastructure</i>	<i>Years</i>
Roads, pavements,	30
Street names,	5
Water reservoirs	15 - 20
Electricity	20 -30
Sewerage	15 - 20
Housing	30
Refuse sites	15
<i>Community Assets</i>	<i>Years</i>
Parks and gardens	10 -30
Sport fields	20 -30
Community halls	30
Libraries	30
Recreation facilities	20 -30
Clinics	30
Fire services	30
Cemeteries	30
<i>Other Assets</i>	<i>Years</i>
Motor vehicles	5
Plant and	2 -15
Security measures	3 -10
Buildings	30
IT equipment	3 -5
Office equipment	3 -7
Specialised	10

Heritage assets

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.5 PROPERTY, PLANT & EQUIPMENT (cont)

In terms of Directive 4 the Municipality is entitled to take advantage of the GRAP transitional provisions on Property, Plant and equipment until they expire, which is the financial year 2008/2009 for Medium capacity Municipalities. As a result both measurement and disclosure requirements of GRAP 17 need not be complied with.

Due to the Municipality having taken advantage of the GAMAP transitional provisions as well as the three year measurement exemption above, until expiration of these provisions and all classes of Property, plant and Equipment are measured according to GRAP 17, the municipality has not complied with the following:

GRAP 1: Presentation of Financial Statements, GRAP 100 as well as the recognition criteria in: Non-current Assets Held for sale and Discontinued operations; GRAP 102, GRAP 13: Leases and GRAP 19: Provisions, Contingent Liabilities and Contingent Assets.

Impairments of non-monetary assets have also not been assessed

1.6 IMPAIRMENT OF ASSETS

Impairments of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.6 IMPAIRMENT OF ASSETS (cont)

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, an cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.7 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

The Municipality as Lessor

Amounts due from lessee under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

**1.8 FINANCIAL
INSTRUMENTS**

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

**1.8 FINANCIAL
INSTRUMENTS
(cont)**

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.8.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.8.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

1.8.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy 1.5 as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.8.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

**1.8 FINANCIAL
INSTRUMENTS
(cont)**

1.8.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to impairment of assets policy 1.6, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.10.1 FINANCIAL LIABILITIES

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.10.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.10.1.2 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.11 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

The municipality on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions. All necessary disclosure for those assets not recognised as Property, Plant and Equipment have been made.

The necessary disclosures have been made for non-recognition of provisions (which form part of the cost of an asset).

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.14 EMPLOYEE BENEFITS

1.14.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.14.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.14.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.14 EMPLOYEE BENEFITS (cont)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.15 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.15.1 Revenue from exchange transactions

Rendering of services

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

1.15 REVENUE RECOGNITION (cont)

Sale of goods

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

1.15.2 Revenue from non-exchange transactions

Fines

Revenue from fines is recognised when payment is received and the revenue from the issuing of spot fines and summonses is recognised when collected together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.15.3 Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

1.15 REVENUE RECOGNITION (cont)

1.15.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.16 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.17 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

KANNALAND MUNICIPALITY
NOTES TO FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
2. HOUSING DEVELOPMENT FUND	760 247	760 247
Unappropriated Surplus	-	-
Loans estinguished by Government in April 1998	760 247	760 247
The Housing Fund is represented by the following assets and liabilities:		
Housing Rental Debtors	111 505	111 505
Bank and cash	648 922	648 922
	760 427	760 247
3. LONG- TERM LIABILITIES		
Annuity Loans	11 255 627	11 998 407
Annuity Loans - Restructured Loan	6 952 457	6 952 457
Sub-total	18 208 084	18 950 864
Less : Current portion transferred to current liabilities	324 317	741 793
Annuity Loans	324 317	741 793
Capitalised Lease Liability		
Total External Loans	17 883 767	18 209 071

3.1 Summary of arrangements

Annuity Loans are repaid over periods varying from one to fifteen years and at interest rates varying from 11.55 % to 12.5% per annum. Annuity Loans are not secured.

Fixed Deposit of R 2 419 522 (2008: R 2 129 194) has been pledged to DBSA as guarantees on external loans taken up. (See notes 16)

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

3.2 Breach of loan agreement

The municipality has contravened section 138(A) of the MFMA as instalment payments on DBSA has not been paid for 10 months. The loan has now been rescheduled to be redeemed in 15 years at 12.50 % fixed interest with the first instalment to be paid on 31 May 2008.

The municipality entered into an agreement with DBSA that if the municipality would be able to service its loans timeously during the next three financial years, then a loan of R6 952 457 will be written off by the bank.

KANNALAND MUNICIPALITY
NOTES TO FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
4. FINANCE LEASE LIABILITY		
2009		
Amounts payable under finance leases		
Within one year	93 966	21 026
Within two to five years	100 312	9 806
	<u>194 278</u>	<u>163 447</u>
Less: Amount due for settlement within 12 months (current portion)		(72 941)
		<u>90 506</u>
2008		
Amounts payable under finance leases		
Within one year	75 696	23 939
Within two to five years	194 278	163 447
	<u>269 974</u>	<u>215 204</u>
Less: Amount due for settlement within 12 months (current portion)		(51 758)
		<u>163 447</u>
5. CONSUMER DEPOSITS		
Water and electricity	<u>486 260</u>	<u>453 746</u>
No interest is paid on consumer deposits.		
Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.		
6. NON- CURRENT PROVISIONS		
<i>Rehabilitation of Landfill sites</i>		
In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.0 million to restore the site at the end of its useful life.		

KANNALAND MUNICIPALITY
NOTES TO FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
	R	R
	R	R
The movement in the non-current provisions are		
	Illegal Dumping	Landfill sites
		Total
30 June 2009		
Balance at beginning of year	100 000	1 332 000
Contributions to provision		(332 000)
Sub Total	100 000	1 000 000
Transfer to current	-	(750 000)
		-
Balance at end of year	100 000	250 000
30 June 2008		
Balance at beginning of year	100 000	100 000
Transfer to current		1 232 000
Contributions to provision	100 000	1 332 000
Expenditure incurred	-	(666 500)
		(666 500)
Balance at end of year	100 000	665 500

7. TRADE AND OTHER PAYABLES

	2009	2008
30 June 2009		
Trade creditors	4 429 783	2 441 926
Payments received in advance	549 659	438 158
Finance Lease	72 941	51 758
Staff Leave	712 891	855 739
Other Creditors	2 183 414	2 169 718
Total Trade and Other Payables	7 948 688	5 957 300

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

KANNALAND MUNICIPALITY
NOTES TO FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Financial Management grant	-	620 703
MIG	1 255 152	1 328 252
Provincial grants and other	11 734 036	9 020 657
	<u>12 989 188</u>	<u>10 969 612</u>
See Note 20 for reconciliation of grants by other spheres of government.		
9. SARS -Liability		
VAT Payable	1 737 595	-
PAYE, UIF & SDL Payable	<u>2 356 392</u>	<u>152 271</u>
	<u>4 093 988</u>	<u>152 271</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

10. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Other Assets R	Housing Development Fund R	Total R
Carrying values at 1 July 2008	0	51 852 549	5 394 049	11 515 019	68 761 617
Cost	0	79 006 520	9 801 812	13 152 693	101 961 025
Accumulated depreciation – cost	0	(27 153 971)	(4 407 763)	(1 637 674)	(33 199 408)
Acquisitions			8 168		8 168
Capital under construction		12 797 523			12 797 523
Depreciation – based on cost			(2 402 602)		(2 402 602)
Fair Value Adjustment		152 620 546	(1 633 578)		150 986 968
Depreciation – Fair Value Adjustment		27 153 971	4 407 763		31 561 734
Carrying value of disposals					-
Cost					-
Accumulated depreciation					-
Carrying values at 30 June 2009	0	244 424 590	5 773 799	11 515 019	261 713 408
Cost	0	244 424 590	8 176 402	13 152 693	265 753 684
Accumulated depreciation – cost	0	-	(2 402 602)	(1 637 674)	(4 040 276)

Carrying values at 1 July 2007	0	28 228 257	4 128 049	2 973 428	35 329 734
Cost		53 006 880	8 048 998	4 461 963	65 517 841
Accumulated depreciation – cost		(24 778 623)	(3 920 949)	(1 488 535)	(30 188 107)
Acquisitions		491 106	1 752 814		2 243 920
Capital under construction		25 508 534		8 690 730	34 199 264
Depreciation – based on cost		(2 375 348)	(486 814)	(149 139)	(3 011 301)
Carrying value of disposals					-
Cost					-
Accumulated depreciation					-
Other movements					-
Carrying values at 30 June 2008	0	51 852 549	5 394 049	11 515 019	68 761 617
Cost	0	79 006 520	9 801 812	13 152 693	101 961 025
Accumulated depreciation – cost	0	(27 153 971)	(4 407 763)	(1 637 674)	(33 199 408)

The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
11. LONG-TERM RECEIVABLES		
Loans to Sport Clubs	19 917	22 703
Less : Current portion transferred to current receivables	(2 786)	(2 786)
Total Long-term Receivables	<u>17 131</u>	<u>19 917</u>

Golf Club Loan

The loan to the Ladismith Golf Club will be redeemed over a periode of 20 years at a interest rate of 8 % and will be redeemed in December 2014

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

12. INVENTORY		
Consumable stores - at cost	<u>109 860</u>	<u>349 844</u>

13. CONSUMER DEBTORS			
	Gross Balances)	Provision for Doubtful Debts)	Net Balance)
30 June 2009			
Service debtors			
Rates	10 556 854	8 496 426	2 060 428
Electricity	2 259 923	538 995	1 720 928
Water	1 857 924	480 034	1 377 890
Sewerage	10 856 962	10 081 557	775 405
Refuse removal	8 612 411	7 894 660	717 751
Sundries	595 703	419 195	176 508
Housing rentals	111 505	-	111 505
	<u>34 851 282</u>	<u>27 910 866</u>	<u>6 940 416</u>
30 June 2008			
Service debtors			
Rates	7 876 989	6 628 477	1 248 512
Electricity	1 475 044	455 695	1 019 349
Water	1 382 043	405 846	976 197
Sewerage	8 738 270	8 523 483	214 787
Refuse removal	6 740 700	6 674 564	66 136
Housing rentals	412 916	354 410	58 506
	<u>26 625 962</u>	<u>23 042 475</u>	<u>3 583 487</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
13. CONSUMER DEBTORS (cont)			
<p>The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balances of rates. The municipality enforces its approved credit control policy to ensure the recovery of the consumer debtors. There is an inherent risk in the debtor's book to the value of unverified data.</p> <p>Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.</p> <p>The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.</p>			
Ageing of consumer debtors		2009	2008
Rates ageing			
Current (0-30 days)		303 810	388 703
31-60 days		126 071	144 294
61-90 days		101 092	117 203
91-120 days		90 868	111 944
120+ days		8 957 857	7 114 845
		9 579 698	7 876 989
Electricity, water, sewerage, refuse removal and sundry ageing			
Current (0-30 days)		2 369 450	1 445 805
31-60 days		511 500	354 476
61-90 days		421 707	267 751
91-120 days		378 990	244 981
120+ days		21 863 012	16 023 044
		25 544 659	18 336 057
Housing rentals: ageing			
Current (0-30 days)		6 242	7 932
31-60 days		5 562	7 235
61-90 days		5 562	7 032
91-120 days		5 704	6 675
120+ days		88 434	384 042
		111 504	412 916
Consumer debtors per category			
30 June 2009			
Current (0-30 days)	Consumers)	Industrial/ Commercial)	National & Provincial)
31-60 days	611 236	1 578 184	(59 520)
61-90 days	564 801	39 207	39 126
91-120 days	508 840	18 171	1 350
120+ days	466 262	8 596	704
	29 581 497	133 851	1 193 897
	31 732 636	1 778 009	1 175 557

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
13. CONSUMER DEBTORS (cont)			
30 June 2008			
Current (0-30 days)	1 256 270	497 503	88 666
31-60 days	462 306	25 596	18 103
61-90 days	353 803	19 387	18 795
91-120 days	339 602	12 065	11 934
120+ days	22 682 604	342 260	467 068
	25 094 585	896 811	604 566

Reconciliation of Provision for impairment

Balance at beginning of year	23 042 475	24 600 596
Impairment losses recognised	4 868 391	3 137 302
Amounts written off as uncollectable	-	(4 695 423)
Balance at year end	27 910 866	23 042 475

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

14. OTHER DEBTORS

Sundry debtors	118 695	622 723
Fuel deposit	50 000	50 000
Grant Debtors (Ref Note 20)	3 333 688	-
Salary control accounts	-	708 882
Less: Provision for Impairment	-	(580 530)
	3 502 382	801 075

Reconciliation of Provision for impairment

Balance at beginning of year	580 530	917 832
Impairment losses recognised		
Amounts written off as uncollectable	(580 530)	(337 302)
Balance at year end	-	580 530

The average credit period for other debtors is 30 days. No interest is charged on other receivables for the first 30 days from the date of the invoice. The municipality enforces its approved credit control policy in an attempted to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying

value of Other Debtors approximate their fair values.

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
14. OTHER DEBTORS (cont)		
The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratio's of other debtors were also taken into account for fair value determination.		
The provision for impairment was calculated on each every debtors risk profile and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.		
15. VAT		
VAT receivable	-	1 519 098
VAT is payable on the cash basis. Only once payment has been received from debtors is VAT paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
16. INVESTMENT		
Long term investments	2 419 522	2 129 194
17. BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Account Number 112 000 001 9 (ABSA)		
Bank statement balance at beginning of year	414 428	1 618 000
Bank statement balance at end of year	471 029	414 428
<u>Current Account</u>		
Account Number 621-6355-4580 (FNB)		
Bank statement balance at beginning of year	1 552 853	-
Bank statement balance at end of year	1 836 793	1 552 853

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
17. BANK, CASH AND OVERDRAFT BALANCES (cont)		
Account Number 527 827 302 31 (FNB)		
	<u>458 612</u>	<u>118 301</u>
Bank statement balance at beginning of year		
	<u>1 204 777</u>	<u>458 612</u>
Bank statement balance at end of year		
Call Account		
Account Number 9117177062 (ABSA)		
	<u>9 581 430</u>	<u>6 784 600</u>
Bank statement balance at beginning of year		
	<u>4 791 267</u>	<u>9 581 430</u>
Bank statement balance at end of year		
Summary		
Cash book balance at beginning of year	<u>10 154 979</u>	<u>6 979 967</u>
Cash book balance at end of year	<u>3 235 703</u>	<u>451 628</u>
Cash on Hand	<u>2 000</u>	<u>1 350</u>
Bank statement balance at beginning of year	<u>12 007 323</u>	<u>8 520 901</u>
Bank statement balance at end of year	<u>8 303 866</u>	<u>12 007 323</u>
Call investments	<u>4 819 437</u>	<u>9 652 001</u>
Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.		
Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.		
The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.		
Cash book balances at year-end were restated to exclude Fuel deposits, Cash on Hand and Call Investments		
18. PROPERTY RATES		
Actual		
Residential	7 025 207	6 531 951
Commercial	1 281 571	1 113 199
State	762 494	745 939
Municipal	511 412	398 556
Less: Income foregone	(2 918 008)	(2 246 998)
Total Assessment Rates	<u>6 662 676</u>	<u>6 542 647</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
18. PROPERTY RATES (cont)		
VALUATIONS	R000's	R000's
Residential	304 975	283 511
Government	51 873	48 316
Commercial	30 792	32 376
Municipal	23 082	17 299
Other		
	410 722	381 502

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. An interim valuation was performed in the year under review on individual property values due to alterations and subdivisions. The result of the valuation will only come into effect in the new financial year.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the 7th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

19. SERVICE CHARGES		
Sale of electricity	15 311 158	12 853 238
Sale of water	4 068 686	4 169 230
Refuse removal	3 413 625	2 943 580
Sewerage and sanitation charges	3 750 776	3 358 059
	26 544 246	23 324 107

20. GOVERNMENT SUBSIDIES & GRANTS

Equitable share	9 925 473	7 718 865
MIG	73 100	24 195 610
National Recovery Plan	4 722 931	6 515 002
National projects	11 120 188	3 257 155
Provincial projects other	2 116 829	9 867 150
Other	4 296	675 718
Total Government Grants & Subsidies	27 962 818	52 229 500

20.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

20.2 Finance Management Grant

Balance unspent at beginning of year	620 703	460 169
Current year receipts	250 000	500 000
Adjustments	-	(67 859)
Conditions met – transferred to revenue	(1 149 143)	(271 607)
Unspent amount transferred to liabilities	(278 440)	620 703
(see note 14)		

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.</p>		
20.3 Municipal Infrastructure Grant		
Balance unspent at beginning of year	1 328 252	770 733
Current year receipts	-	24 753 129
Conditions met – transferred to revenue	(73 100)	(24 195 610)
Unspent amount transferred to liabilities	1 255 152	1 328 252
<p>The grant was used to construct roads and sewerage infrastructure (included sewerage votes in Appendix B). No funds have been withheld.</p>		
20.4 Provincial : Valuation		
Balance unspent at beginning of year	1 426 039	1 631 675
Current year receipts	-	-
Conditions met – transferred to revenue	(1 029 053)	(205 636)
Unspent amount transferred to liabilities	396 986	1 426 039
<p>The grants were used for various projects.</p>		
20.5 National: General Expenditure (CMIP)		
Balance unspent at beginning of year	-	63 475
Current year receipts	-	-
Conditions met – transferred to revenue	-	(63 475)
Unspent amount transferred to liabilities	-	-
20.6 National: Recovery Plan - DBSA		
Balance unspent at beginning of year	547 070	(918 059)
Current year receipts	325 825	3 043 304
Conditions met – transferred to revenue	(198 689)	(1 578 175)
Unspent amount transferred to liabilities	674 206	547 070
20.7 National: Recovery Plan -MSP		
Balance unspent at beginning of year	1 245 064	132 330
Current year receipts	1 500 000	2 000 000
Conditions met – transferred to revenue	(3 228 324)	(887 266)
Unspent amount transferred to liabilities	(483 260)	1 245 064
<p>(see note 14)</p>		
20.8 National: Recovery Plan -DPLG		
Balance unspent at beginning of year	364 447	1 415 458
Current year receipts	735 000	2 884 000
Conditions met – transferred to revenue	(1 295 918)	(4 049 561)
Adjustment	-	114 550
Unspent amount transferred to liabilities	(196 471)	364 447
<p>(see note 14)</p>		
20.9 Provincial: Electricity / Water Meters		
Balance unspent at beginning of year	221 297	371 669
Current year receipts	-	-
Conditions met – transferred to revenue	(17 302)	(150 372)
Unspent amount transferred to liabilities	203 995	221 297

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20.1¹ Provincial : Zoar Water Project		
Balance unspent at beginning of year	-	55 764
Current year receipts	-	-
Conditions met – transferred to revenue	-	(55 764)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
20.1¹ Provincial : Calitzdorp Housing		
Balance unspent at beginning of year	61 033	61 033
Current year receipts	649 319	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>710 352</u>	<u>61 033</u>
20.1¹ Provincial: Clearing Projects		
Balance unspent at beginning of year	-	5 929
Current year receipts	-	-
Conditions met – transferred to revenue	-	(5 929)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20.1¹ Provincial : Zoar Library		
Balance unspent at beginning of year	-	181 316
Current year receipts	-	-
Adjustments and transfers	-	4 298
Conditions met – transferred to revenue	-	(185 614)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20.1¹ Provincial : Dried Fruit Van Wyksdorp		
Balance unspent at beginning of year	75 782	134 909
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(46 948)	(59 127)
Unspent amount transferred to liabilities	<u>28 834</u>	<u>75 782</u>
20.1¹ Provincial: Licensing		
Balance unspent at beginning of year	-	927
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(927)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20.1¹ Provincial : General Greening		
Balance unspent at beginning of year	-	142 964
Current year receipts	-	-
Adjustments and transfers	-	7 644
Conditions met – transferred to revenue	-	(150 608)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20.1¹ Provincial : Greening Ladismith		
Balance unspent at beginning of year	629	47 102
Current year receipts	-	-
Adjustments and transfers	-	(46 473)
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>629</u>	<u>629</u>
20.1¹ Provincial: Greening Zoar		
Balance unspent at beginning of year	72 293	72 293
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(51 186)	-
Unspent amount transferred to liabilities	<u>21 107</u>	<u>72 293</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20.1¹ Provincial : Water Meters Zoar		
Balance unspent at beginning of year	468 931	424 464
Current year receipts	-	-
Adjustments and transfers	-	44 467
Conditions met – transferred to revenue	(143 903)	-
Unspent amount transferred to liabilities	<u>325 028</u>	<u>468 931</u>
 20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
20.2¹ Provincial: 132 KVA Sub Station		
Balance unspent at beginning of year	2 497 414	2 497 414
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>2 497 414</u>	<u>2 497 414</u>
 20.2 Provincial : Office Equipment		
Balance unspent at beginning of year	-	34 237
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(34 237)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
 20.2¹ Provincial : GOR General Expenses		
Balance unspent at beginning of year	-	34 814
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(34 814)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
 20.2¹ Provincial: Social Plan		
Balance unspent at beginning of year	-	63 983
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(63 983)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
 20.2¹ Provincial : Housing LDS		
Balance unspent at beginning of year	66 113	194 815
Current year receipts	-	8 562 028
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(8 690 730)
Unspent amount transferred to liabilities	<u>66 113</u>	<u>66 113</u>
 20.2¹ Provincial : IDP General		
Balance unspent at beginning of year	-	(48 194)
Current year receipts	-	-
Adjustments and transfers	-	48 194
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
 20.2¹ Provincial: General Drought Relief		
Balance unspent at beginning of year	201 982	199 882
Current year receipts	2 100 000	-
Adjustments and transfers	-	2 100
Conditions met – transferred to revenue	(1 709 294)	-
Unspent amount transferred to liabilities	<u>592 688</u>	<u>201 982</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20.2¹ Provincial : Hydrologist Investigation		
Balance unspent at beginning of year	-	7 675
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(7 675)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
20.2¹ Provincial: Swimming Pool Calitzdorp		
Balance unspent at beginning of year	-	85 388
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(32 880)	(85 388)
Unspent amount transferred to liabilities (see note 14)	<u>(32 880)</u>	<u>-</u>
20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
20.2¹ Provincial : Swimming Pool Ladismith		
Balance unspent at beginning of year	-	203 829
Current year receipts	-	-
Adjustments and transfers	-	(10 190)
Conditions met – transferred to revenue	(22 099)	(193 639)
Unspent amount transferred to liabilities (see note 14)	<u>(22 099)</u>	<u>-</u>
20.3¹ Provincial: Taxi Rank		
Balance unspent at beginning of year	412 730	620 871
Current year receipts	-	-
Adjustments and transfers	-	(25 561)
Conditions met – transferred to revenue	(93 217)	(182 580)
Unspent amount transferred to liabilities	<u>319 513</u>	<u>412 730</u>
20.3¹ Flood damage projects		
Balance unspent at beginning of year	103 460	800 000
Current year receipts	5 619 000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(923 192)	(696 540)
Unspent amount transferred to liabilities	<u>4 799 268</u>	<u>103 460</u>
20.3¹ Van Wyksdorp water research		
Balance unspent at beginning of year	31 466	31 466
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	<u>31 466</u>	<u>31 466</u>
20.3¹ Provincial : Umsobomwu		
Balance unspent at beginning of year	3 983	90 281
Current year receipts	250 000	-
Adjustments and transfers	-	550
Conditions met – transferred to revenue	-	(86 848)
Unspent amount transferred to liabilities	<u>253 983</u>	<u>3 983</u>
20.3¹ District Council		
Balance unspent at beginning of year	-	-
Current year receipts	-	25 000
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(25 000)
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
20.3¹ National: Nissenville Roads		
Balance unspent at beginning of year	259 158	-
Current year receipts	5 355 000	300 000
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(6 055 134)	(40 842)
Unspent amount transferred to liabilities	(440 976)	259 158
(see note 14)		
 20.3¹ Provincial -Sportgrounds Van Wyksdorp		
Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Adjustments and transfers	-	33 629
Conditions met – transferred to revenue	-	(33 629)
Unspent amount transferred to liabilities	300 000	-
 20.3¹ District Council Housing		
Balance unspent at beginning of year	17 426	-
Current year receipts	-	17 426
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(4 296)	-
Unspent amount transferred to liabilities	13 130	17 426

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
20.3¹ Electrification 380 Erven Ladismith		
Balance unspent at beginning of year	-	-
Current year receipts	-	2 248 166
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(2 248 166)
Unspent amount transferred to liabilities	-	-
20.3¹ District Council Zoar prepaid		
Balance unspent at beginning of year	-	-
Current year receipts	-	179 360
Adjustments and transfers	-	11 297
Conditions met – transferred to revenue	-	(190 657)
Unspent amount transferred to liabilities	-	-
20.4¹ Ladismith Electrical upgrading		
Balance unspent at beginning of year	751 834	-
Current year receipts	320 849	751 834
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(824 258)	-
Unspent amount transferred to liabilities	248 425	751 834
20.4 District Council Ladismith roads		
Balance unspent at beginning of year	-	-
Current year receipts	-	549 000
Adjustments and transfers	-	(88 939)
Conditions met – transferred to revenue	-	(460 061)
Unspent amount transferred to liabilities	-	-
20.4. Eden : Water		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(1 598 386)	-
Unspent amount transferred to liabilities (see note 14)	(1 598 386)	-
20.4. Department Water Affiars		
Balance unspent at beginning of year	-	-
Current year receipts	288 000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(394 746)	-
Unspent amount transferred to liabilities (see note 14)	(106 746)	-
20.4. Upgrading Sports Facility Calitzdorp		
Balance unspent at beginning of year	-	-
Current year receipts	250 000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	250 000	-
20.4. Upgrading of Streets Calitzdorp		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(126 429)	-
Unspent amount transferred to liabilities (see note 14)	(126 429)	-

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20. GOVERNMENT SUBSIDIES & GRANTS (cont)		
20.4 Upgrading of Streets Van Wyksdorp		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(24 000)	-
Unspent amount transferred to liabilities (see note 14)	(24 000)	-
20.4 Upgrading of Streets Zoar		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(24 000)	-
Unspent amount transferred to liabilities (see note 14)	(24 000)	-
## Advert Costs - LAND USE & PLAN		
Balance unspent at beginning of year	1 800	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(900)	-
Unspent amount transferred to liabilities	900	-
## Changes in levels of government grants Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
21. INVESTMENT REVENUE		
External investments	1 434 906	1 434 906
22. OTHER REVENUE		
Included in other income is the following:		
Advertisement	-	19 737
Building Plan Fees	102 877	17 767
Sundries	1 182 459	1 182 325
Photocopies	2 289	491
Photocopies and Faxes	-	566
Rent Instalments	16 961	100 609
Building Of Graves	1 075	100
Subdivision / Rezoning	-	9 980
Circuit Breaker - Changes	-	84
Surplus Cash	-	1 323
Refridgeration	5 790	7 225
Sales Plots	36 746	23 120
Valuation Certificates	-	5 112
Telephone Recoveries	-	128 327
Swimmingpool Income	-	5 697
Learner and ID card licences	124 237	
	1 472 434	1 502 464

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
23. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	12 325 485	10 423 869
Employee related cost - Social contributions	2 443 936	1 885 746
Travel, motor car, accomodation & other allowances	884 101	1 186 429
Housing benefits and allowances	77 770	61 515
Overtime benefits	940 390	838 814
Contribution to leave gratuity	18 200	223 768
Less: Employee costs included in other expenses	(1 718 262)	(1 630 209)
	<u>14 971 620</u>	<u>12 989 932</u>
There were no advances paid to employees.		
Municipal Manager		
Annual remuneration	680 173	603 510
Performance Bonus	113 053	
Council Contributions		
	<u>793 226</u>	<u>603 510</u>
Chief Financial Officer		
Annual remuneration	515 951	441 091
Performance Bonus	60 211	
Council Contributions	27 468	41 056
	<u>603 630</u>	<u>482 147</u>
Chief Corporate Services		
Annual remuneration	543 420	482 459
Performance Bonus	60 211	
Council Contributions		
	<u>603 631</u>	<u>482 459</u>
Director Technical		
Annual remuneration	543 420	289 474
Performance Bonus	35 123	
Council Contributions		
	<u>578 543</u>	<u>289 474</u>
24. REMUNERATION OF COUNCILLORS		
Executive Mayor	501 358	378 844
Deputy Executive Mayor	405 096	311 859
Speaker	224 033	187 142
Councillors	879 770	977 732
	<u>2 010 257</u>	<u>1 855 577</u>
The Executive Mayor, Deputy Executive Mayor, Speaker and executive Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.		
25. FINANCE COSTS		
Long-term liabilities	1 577 078	2 489 795
Total Interest on External Borrowings	<u>1 577 078</u>	<u>2 489 795</u>

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
26. BULK PURCHASES		
Electricity	12 767 725	9 772 703
Water	439 620	194 078
	<u>13 207 345</u>	<u>9 966 781</u>
27. CORRECTION OF ERROR		
27 During the year ended 30 June 2008, finance lease liabilities were not raised.		
The comparative amount has been restated as follows:		
Correction of Finance Lease liability		
Statement of Financial Position		
Accumulated Surplus 2007		24 311
Finance Lease Liability		215 205
PPE		215 205
Statement of Financial Performance		
General Expenses		190 894
27 During the 2008 financial year Capital Grant Received was erroneously recognised as per IAS 20 as Deferred revenue and is now disclosed in accordance GAMAP 9.		-
Statement of Financial Position		
Accumulated Surplus 2007		(2 501 731)
Government Grant Reserve		20 203 051
Accumulated Surplus 2008		(23 013 457)
Government Grant Reserve		23 013 457
Statement of Financial Performance		
Government grants and subsidies received		34 804 974
27 Due to incorrect cutt-off procedures certain suppliers were not included under Trade Creditors. This correction was made in the 2009 financial year.		
Statement of Financial Position		
Unspent Conditional Grants		(1 282 525)
Trade Creditors		1 282 525
Statement of Financial Performance		
Government grants and subsidies received		(1 282 525)
Grants and subsidies paid		1 282 525
Net effect on Surplus/(Deficit) for the year		<u>52 721 499</u>
28. CHANGE IN ACCOUNTING POLICY		
During 2009 the municipality had the infrastructure assets unbundled and moveable assets verified and valued, this had an impact on due to the Fair Value adjustment which had to be processed as at 30 June 2009		
	<u>177 599 581</u>	

KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
29 RECLASSIFICATION OF ACCOUNTS		
During the 2009 financial year, a number of accounts were reclassified in order to achieve a more accurate and transparent reflection of the account balances.		
This reclassification impacts on the comparison of the 2008 financial statements with the 2008 disclosure in the 2009 financial statements.		
30 CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	189 547 936	34 536 932
Adjustment for:		
Correction of prior year error	192 782	(20 415)
Interest capitalised	-	2 141 192
Depreciation charges	461 616	3 011 301
Fair value adjustment	(177 599 581)	
Increase/(Decrease) in provisions	(332 000)	1 232 000
Assets from grants		
Interest received	(1 266 879)	(2 179 410)
Interest paid	<u>1 577 078</u>	<u>2 489 795</u>
Operating surplus before working capital changes	12 580 952	41 211 395
(Increase)/decrease in inventories	239 984	29 377
(Increase)/decrease in consumer debtors	(3 356 929)	(1 593 508)
(Increase)/decrease in other debtors	(2 701 307)	939 494
(Increase)/decrease in SARS receivable	1 519 098	
Increase/(decrease) in conditional grants	2 019 576	(251 548)
Increase/(decrease) in trade payables	1 991 388	1 907 947
Increase/(decrease) in consumer deposits	32 514	17 829
Increase/(decrease) in SARS liabilities	<u>3 941 717</u>	<u>(1 195 350)</u>
Net cash from operating activities	<u>16 266 993</u>	<u>41 065 636</u>
31 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
31.1 Contribution to SALGA		
Council membership fees payable	77 588	
Amount paid current year	<u>(77 588)</u>	
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
31.2 Audit Fees		
Current year audit fee	696 864	570 605
Amount paid current year	<u>(696 864)</u>	<u>(570 605)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
31.3 VAT		
VAT is payable on the invoice basis. VAT input receivables and VAT output receivable are shown in notes 3. All VAT returns have been submitted by the due date throughout the year.		
31.4 PAYE & UIF		
Opening balance	140 002	
Current payroll deductions	2 146 633	1 983 747
Amount paid current year & previous year	<u>(2 144 031)</u>	<u>(1 980 139)</u>
Balance unpaid	<u>142 604</u>	<u>3 608</u>
31.5 Pension Fund & Medical Aid		
Opening balance	(3 064)	
Current payroll deductions	3 575 328	2 985 951
Amount paid current year & previous year	<u>(3 566 359)</u>	<u>(2 961 680)</u>
Balance unpaid	<u>5 905</u>	<u>24 271</u>

**KANNALAND MUNICIPALITY
NOTES FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	2008 R
32. COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u>9 952 660</u>	<u>17 780 000</u>
The expenditure will be financed from:		
- Own Resources		30 000
- External Loans		3 800 000
- Government Grants	<u>9 952 660</u>	<u>13 950 000</u>
	<u>9 952 660</u>	<u>17 780 000</u>

33. CONTINGENT LIABILITIES

The municipality's attorneys has advised that the municipality might incur future liabilities pending a Labour Appeal Court decision regarding possible unfair dismissal of 24 employees of the municipality. No reasonable estimation could be made regarding a possible future liability in this regard.

APPENDIX A
KANNALAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2008/06/30	Received during the period	Adjustments	Redeemed written off during the period	Balance 2009/06/30	Carrying Value of Property, Plant and Equipment	Other Costs in accordance with the MFMA
LONG- TERM LOANS									
ABSA: LDS - 132 kVa Substation @ 11,50%		01/12/2008	454 777	-	-	(454 777)	-		-
Bankfin: CAL - Electrical Meters @ 14,55%		01/10/2007	-	-	-	-	-		-
DBSA:Consolidated Loans @ 12,50%		30/06/2017	11 543 631	-	(1 346)	(286 657)	11 255 627		
DBSA:Consolidated Loans @ 0%			6 952 457	-	-	-	6 952 457		
						-			
			18 950 865	-	(1 346)	(741 434)	18 208 085	-	-
LEASES									
Finance Lease - NRB			11 803			(4 786)	7 018		-
Finance Lease - Technofin			195 164			(43 177)	151 986		-
Finance Lease - ABSA			1 496			(1 496)	-		
Finance Lease - Nashua George			6 741			(2 299)	4 442		
Total leases			215 204	-		(51 758)	163 447	-	-
TOTAL EXTERNAL LOANS			19 166 069	-	(1 346)	(793 192)	18 371 532	-	-

Development Bank Loan No WC 103021

During 2008 the loan from DBSA has been consolidated and rescheduled to an amount of R 11 587 526.79, repayable in 180 monthly installments commencing on 31 May 2008 with a fixed interest rate of 12.50% per year. An amount of R 6 952 465.76 will be carried as a long term liability but will be written-off over a periode of three years from the effective date on the condition that the borrower meets the agreed milestones set out in the agreement.

ABSA Loan No 30-1109-3231

The loan to ABSA carried an interest rate of 11.50% and was settled during the current financial year

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land	268 987	(268 987)	-	-	-	-	-	-	-	-
Buildings	200 025	(200 025)	855 344	-	855 344	80 083	-	80 083	-	855 344
	469 012	(469 012)	855 344	-	855 344	80 083	-	80 083	-	855 344
Infrastructure										
Boreholes	-	1 268 727	-	-	1 268 727	-	-	-	-	1 268 727
Fencing	99 289	848 454	-	-	947 743	99 289	-	99 289	-	947 743
Electricity Distribution	877 484	50 763 635	-	-	51 641 119	87 989	-	87 989	-	51 641 119
Meters	280 000	-	-	280 000	-	70 115	-	70 115	-	-
Meters	19 021	-	-	19 021	-	15 230	-	15 230	-	-
Other Roads	4 664 071	-	-	4 211 513	452 558	4 664 071	-	4 664 071	-	452 558
Purification	5 419 368	-	-	5 419 368	-	3 254 590	-	3 254 590	-	-
Reservoirs and Dams	4 609 752	18 004 451	-	-	22 614 203	2 137 997	-	2 137 997	-	22 614 203
Roads	-	30 482 068	7 917 534	-	38 399 601	-	-	-	-	38 399 601
Road Furniture	-	102 074	-	-	102 074	-	-	-	-	102 074
Security Systems	4 900	-	-	4 900	-	4 495	-	4 495	-	-
Sewerage Pumps	420 413	1 090 607	-	-	1 511 020	336 637	-	336 637	-	1 511 020
Sewers	31 302 120	10 952 854	1 205 253	-	43 460 227	3 223 809	-	3 223 809	-	43 460 227
Sewer Treatment	-	8 957 908	-	-	8 957 908	-	-	-	-	8 957 908
Solid Waste	-	96 924	-	-	96 924	-	-	-	-	96 924
Sludge Machines	8 396	-	-	8 396	-	6 723	-	6 723	-	-
Stormwater Drainage	5 902 469	984 178	591 205	-	7 477 852	3 544 716	-	3 544 716	-	7 477 852
Streetlights	-	2 636 720	-	-	2 636 720	-	-	-	-	2 636 720
Water Supply and Reticulation	14 123 084	26 707 519	2 068 244	-	42 898 847	6 225 079	-	6 225 079	-	42 898 847
Water Connections	-	1 619 878	-	-	1 619 878	-	-	-	-	1 619 878
Water Supply / Reticulation	6 712 835	-	-	6 712 835	-	2 256 269	-	2 256 269	-	-
Water Pump Stations	-	2 067 764	-	-	2 067 764	-	-	-	-	2 067 764
Water Purification	-	8 295 351	-	-	8 295 351	-	-	-	-	8 295 351
Taxi Ways	182 579	833 559	101 499	-	1 117 637	5 102	-	5 102	-	1 117 637
Transformers kiosk	29 568	-	-	29 568	-	11 838	-	11 838	-	-
	74 655 349	165 712 670	11 883 734	16 685 601	235 566 153	25 943 949	-	25 943 949	-	235 566 153

Community Assets										
Cemeteries	-	802 329	-	-	802 329	-	-		-	802 329
Community Centrum	1 042 587	-	-	1 042 587	-	417 415	-	417 415	-	-
Clinics / Hospitals	40 000	-	-	40 000	-	16 015	-	16 015	-	-
Libraries	1 495 728	-	-	1 495 728	-	316 675	-	316 675	-	-
Sport Grounds	443 825	2 541 126	-	-	2 984 951	165 744	-	165 744	-	2 984 951
Parks	317 800	-	3 466	316 667	4 599	114 819	-	114 819	-	4 599
Public Convene	115 436	-	-	115 436	-	46 216	-	46 216	-	-
Stadiums	45 267	-	-	45 267	-	1 517	-	1 517	-	-
Tennis Courts	73 009	971 907	-	-	1 044 916	43 846	-	43 846	-	1 044 916
Swimming pools	279 027	2 832 293	54 979	-	3 166 299	7 141	-	7 141	-	3 166 299
Recreation center	29 499	-	-	29 499	-	550	-	550	-	-
	3 882 178	7 147 654	58 445	3 085 184	8 003 094	1 129 938	-	1 129 938	-	8 003 094
Heritage Assets										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Housing Rental Stock										
Housing Rental 1		-	-	-	-	-	-	-	-	-
Housing Schemes	13 152 693	-	-	-	13 152 693	1 637 675	-	-	1 637 675	11 515 018
	13 152 693	-	-	-	13 152 693	1 637 675	-	-	1 637 675	11 515 018
Total carried forward	92 159 232	172 391 312	12 797 523	19 770 785	257 577 284	28 791 645	-	27 153 970	1 637 675	255 939 609

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Total brought forward	92 159 232	172 391 312	12 797 523	19 770 785	257 577 284	28 791 645	-	27 153 970	1 637 675	255 939 609
Other Assets										
Computer Equipment	958 729	801 312	-	-	801 312	795 836	-	594 483	201 353	599 959
Computer Software	399 264	441 204	-	-	441 204	357 442	-	191 331	166 111	275 093
Emergency Equipment	-	29 533	-	-	29 533	-	6 874	-	6 874	22 659
Farms	122 500	-	-	-	-	49 045	-	49 045	-	-
Furniture and Fittings	81 830	1 007 828	-	-	1 007 828	71 441	217 325	-	288 766	719 062
General	900 111	553 755	-	44 460	509 295	467 084	-	341 955	125 129	384 166
Machinery and Equipment	128 126	346 963	-	-	346 963	124 340	15 128	-	139 468	207 495
Municipal Housing	192 400	-	-	-	-	77 029	-	77 029	-	-
Office Buildings	2 660 017	-	-	-	-	693 113	-	693 113	-	-
Office Equipment	463 634	403 409	-	-	403 409	463 634	-	334 033	129 601	273 808
Tip Sites	288 342	-	-	-	-	115 442	-	115 442	-	-
Transport Facilities	1 109 215	-	-	-	-	102 175	-	102 175	-	-
Vehicles	2 497 645	4 636 858	-	-	4 636 858	1 091 181	254 120	-	1 345 301	3 291 557
	9 801 813	8 220 862	-	44 460	8 176 402	4 407 762	493 447	2 498 606	2 402 603	5 773 799
Total: Property, Plant and Equipment	101 961 045	180 612 174	12 797 523	19 815 245	265 753 686	33 199 407	493 447	29 652 576	4 040 278	261 713 408

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R		R	R	R	R	R	R	R	
EXECUTIVE COUNCIL	-	-	-	-	-	-	-	-	-	-	-
Executive Council											0
FINANCE & ADMINISTRATION	-	-	-	-	-	-	-	-	-	-	-
Finance											
Information technology											
Human resources											
Property services											
Other & admin											
PLANNING & DEVELOPMENT	-	-	-	-	-	-	-	-	-	-	-
Planning & development											0
ROAD TRANSPORT	-	-	-	-	-	-	-	-	-	-	-
Vehicle licensing & testing											
Roads & stormwater											
Roads other											
HEALTH	-	-	-	-	-	-	-	-	-	-	-
Clinics											
Health other											
COMMUNITY & SOCIAL SERVICES	-	-	-	-	-	-	-	-	-	-	-
Libraries & archives											
Community halls & facilities											
Cemeteries & crematoriums											
PUBLIC SAFETY	-	-	-	-	-	-	-	-	-	-	-
Fire											
Traffic											
ENVIRONMENTAL PROTECTION	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection											0
SPORT & RECREATION	-	-	-	-	-	-	-	-	-	-	-
Sport & recreation											0
WASTE WATER MANAGEMENT	-	-	-	-	-	-	-	-	-	-	-
Sewerage											
Public toilets											
WASTE MANAGEMENT	-	-	-	-	-	-	-	-	-	-	-
Solid waste											0
HOUSING	-	-	-	-	-	-	-	-	-	-	-
Housing											0
OTHER	-	-	-	-	-	-	-	-	-	-	-
Other											
WATER	-	-	-	-	-	-	-	-	-	-	-
Water distribution											
Water storage											
ELECTRICITY	-	-	-	-	-	-	-	-	-	-	-
Electricity distribution											
Street lighting											
TOTAL	-	-	-	-	-	-	-	-	-	-	-

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)
R	R	R		R	R	R
42 037 171	9 537 136	32 500 035	Executive & Council	33 808 446	17 053 012	16 755 433
16 918 973	13 909 620	3 009 353	Finance & Admin	4 873 903	14 499 560	(9 625 657)
61 188	344 422	(283 234)	Community & Social Services	76 536	799 675	(723 139)
100 609	738 043	(637 434)	Housing	99 757	768 779	(669 022)
11 626	272 149	(260 523)	Sport & recreation	-	388 173	(388 173)
3 364 556	3 876 960	(512 404)	Waste Management	5 080 149	2 618 187	2 461 961
3 778 153	2 785 239	992 914	Waste Water Management	5 578 823	2 274 856	3 303 967
1 362 116	3 177 212	(1 815 095)	Road Transport	2 369 502	3 628 668	(1 259 166)
5 237 499	5 073 545	163 954	Water distribution	5 137 044	4 468 215	668 828
14 110 551	12 873 652	1 236 899	Electricity	16 368 851	15 138 033	1 230 818
86 982 443	52 587 978	34 394 465	Total	73 393 010	61 637 159	11 755 851

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	6 634 956	9 609 200	(2 974 244)	(31)	
Service charges	26 544 246	27 133 620	(589 374)	(2)	
Rental of facilities and equipment	308 469	197 160	111 309	56	
Interest earned – external investments	1 266 879	804 700	462 179	57	
Interest earned – outstanding debtors	840 421	738 910	101 511	14	
Fines	-	1 330 500	(1 330 500)	(100)	
Licensing & permits	1 960 769	4 460	1 956 309	43 863	
Revenue for agency services	-	132 500	(132 500)	(100)	
Government grants & subsidies – operating	611	27 266 000	(27 265 389)	(100)	
Government grants & subsidies – capital	27 962 818	-	27 962 818	#DIV/0!	
Public contributions, donated and contributed property, plant and equipment	373 343	-	373 343	#DIV/0!	
Other revenue	908 022	531 040	376 982	71	
Total Revenue	66 800 533	67 748 090	(947 557)	(1)	
EXPENDITURE					
Employee related cost	14 971 620	17 766 180	(2 794 560)	(16)	
Remuneration of councillors	2 010 257	1 994 480	15 777	1	
Bad debts	4 313 540	100 000	4 213 540	4 214	
Collection costs	15 108	5 000	10 108	202	
Depreciation and amortisation	461 616	3 973 080	(3 511 464)	(88)	
Repairs and maintenance	1 814 825	2 403 920	(589 095)	(25)	
Finance cost	1 577 078	1 741 880	(164 802)	(9)	
Fines Paid	30 218	9 720 200	(9 689 982)	(100)	
Bulk purchases	13 207 345	17 902 500	(4 695 155)	(26)	
Contracted Services	-	-	-	#DIV/0!	
Grants and subsidies paid	1 266 106	50 000	1 216 106	2 432	
General expenses	15 376 969	7 138 860			
Provision for Landfill site	-	-			
Total Expenditure	55 044 682	62 796 100	(15 989 527)	(25)	
Fair Value Adjustment	177 746 301				
NET SURPLUS/(DEFICIT) FOR THE YEAR	189 502 152	4 951 990	15 041 970		